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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

13 March 1957

STAFF MEMORANDUM NO. 12-57

SUBJECT: Dangers in the Suez Situation

1. It is evident that the basic incompatibility of Israeli and Egyptian aims--and the lack of firm agreement regarding the assumptions surrounding Israel's withdrawal--will soon pose new threats both to the achievement of a modus vivendi on the Suez Canal issue and to the preservation of even the present degree of stability in the Arab-Israeli situation. Moreover, there is still a broad and possibly unbridgable gap between the views of Egypt and those of the principal Western powers regarding the future of the canal.

2. While Israel finally withdrew from Sharm el-Sheikh and the Gaza Strip, it did so reluctantly and in the face of heavy domestic opposition which almost forced repudiation of the withdrawal pledge. Israeli leaders are thus politically as well as personally committed to establishing Israel's claims to free

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passage through the Gulf of Aqaba (and eventually the Suez Canal itself) and to insuring that at a minimum the Gaza Strip does not become once again a base for Egyptian fedayeen and military pressures against Israel. For the present, the Israelis will probably depend on diplomatic rather than military means to secure their objectives, seeking to cash in on the explicit and implicit commitments contained in the statements of the US and others at the time of Israel's withdrawal announcement. However, the Israeli government and people are in an angry mood, and should they fail by peaceful means to secure their minimum objectives, there is at least an even chance that they would once again resort to force, as in fact they have already threatened to do. In this they would almost certainly count on the support of France and the sympathy of a number of other powers.

3. On the other hand, Egypt, which has consistently maintained that Israeli withdrawal must be unconditional, is determined to prevent the "aggressor" from profiting by its decision to withdraw and almost certainly feels that diplomatically, though not militarily, it is in a strong position. Within the last few days it has moved abruptly to emphasize the point that Gaza is subject to Egyptian jurisdiction and that the UN is there on Egyptian

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sufferance. It almost certainly assumes that, except under extreme conditions, the UN would be unwilling to use the UNEF (which includes detachments from such states as India and Yugoslavia) to impose new restraints on Egypt and in fact would probably feel compelled to withdraw the UNEF entirely if Egypt exerted sufficient pressure. Egypt almost certainly also counts on the vulnerability of the Western powers to further obstructionism regarding reopening of the Suez Canal, and on the desire of the US in particular to avoid offending other Arab states, notably Saudi Arabia. The latter has particular reason for supporting Egypt in opposition to Israel's Aqaba claims because of its fear of competition from an Iranian-supplied Israeli oil pipeline.

The "Free Passage" Issue.

4. The Israeli government is firmly committed to early test of its claims to free passage through the Gulf of Aqaba and the Suez Canal, though present indications are that Israel will probably delay on the latter point pending an interim arrangement on general use of the canal. Israel has pressed for US cooperation in staging the Aqaba test but reportedly also has a chartered Danish freighter en route from South Africa for the purpose. It is expected to arrive at Elath on 20 March.

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5. There is a better than even chance that such a test will encounter no more than verbal opposition from Egypt and the other Arab states. Egypt will be unable to interdict the Straits of Tiran with shore batteries so long as the UNEF remains in occupation, has inferior naval forces in the area of the Gulf, and would probably stop short of using its IL-28's to prevent passage of Israeli-bound shipping. However, Egypt and the other littoral states of the Gulf, Saudi Arabia and Jordan, will probably refuse to acknowledge any successful passage as legitimate, and once UNEF forces withdrew Egypt might seek to reimpose its military control over the straits, thus provoking a new military clash with Israel. Some possibility also remains that Egypt and other Arab states might restore economic pressures with respect to the Suez Canal and oil production in order to discourage strong Western support for Israel.

6. Egyptian indications that it would abide by a ruling of the International Court of Justice on the "free passage" issue offer a potential means of avoiding a conflict and may in fact represent an Egyptian attempt to establish a face-saving formula for backing down. However, Israel is now unwilling to abide by

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a court ruling and will probably remain adamant on the issue unless it is convinced that it is certain to win. The chances of so convincing Israel appear particularly slim because of the legal complexity of the issue, which involves special problems of referral; the territorial waters of three Arab states; the ambiguous status of the Island of Tiran, which Egypt occupied with Saudi permission in 1950; and the naval provisions of the armistice agreement.

7. The role of the two Israeli frigates and supporting motor launches at Elath poses special problems. Mrs. Meir has insisted on Israel's right to use them and it is probable that the Israelis are strongly desirous of doing so, both to insure the safety of the test vessels and to establish Israel's right to station naval vessels at Elath. However, such a move would be in at least technical violation of the armistice agreement, would increase the risk of armed conflict, and would probably heighten Arab incentives to put pressures on the Western powers.

The Gaza Problem

8. The status of the Gaza Strip will continue to pose a particularly delicate problem. Israel has continued to insist

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that Egypt must not be allowed to return to Gaza and has threatened to go to war if this occurred. However, the UN has assumed administrative as well as border security duties in Gaza on a very provisional basis. It lacks the administrative capabilities to cope with the almost insurmountable tasks of establishing a permanent international enclave in Gaza. Moreover, the UN authorities are acutely aware that their continued presence is legally dependent on Egyptian assent and that to impose UN authority over Egyptian objections would create precedents which few nations would feel comfortable about.

9. Egypt appears to be backing off from its initial move toward prompt reassertion of full Egyptian authority over the Gaza Strip, and it is possible that some arrangement may be worked out under which Egypt would return to the Gaza Strip under conditions which offered some minimal security safeguards to Israel. Such an arrangement, which would probably require Israeli acceptance of UNEF forces on its side of the line, might be acceptable to Israel, particularly if the latter had succeeded in establishing its Aqaba claims.

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10. However, it is evident that achievement of such a modus vivendi would at best be extremely difficult. Although Egypt probably wishes to avoid another early military showdown with Israel, its actions thus far suggest that it will probably push as hard as it thinks the traffic will bear toward reestablishing its own position in Gaza and harassing the Israelis. Such moves are likely to include new fedayeen raids from other Arab states, which would probably have an explosive effect on Israeli opinion. Even if Egypt moves toward a compromise, there is some chance that Israel may become emotionally committed to an all-or-nothing policy and another resort to force. Finally, there is the problem of maintaining a stable border in the face of probable opposition both by Egypt and by many of the participants to long-term maintenance of the UNEF.

Arrangements Regarding the Suez Canal

11. With clearance operations now entering the final stage, the need for an interim arrangement regarding resumption of traffic through the Suez Canal has become increasingly urgent. However, prospects for early achievement of such an arrangement are no better than even, and may be further diminished as a result of controversies over Agaza or Gaza. On the one hand, Egypt probably wants to get the canal back in operation, for both financial and political reasons. It is probably under some pressure from Saudi Arabia to be reasonable. Despite his suspicions of the US, Nasser has continued to make gestures toward a rapprochement and almost certainly recognizes that additional obduracy regarding the canal would widen existing differences with the US. On the other hand, Egypt is probably convinced that it can obtain a settlement on terms no worse

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than those it offered--and the Western powers rejected--prior to the Israeli-British-French invasion. While Egypt now appears prepared to retreat from the contention that as a result of the invasion it is no longer bound by the "six principles" resolution of 14 October 1956, Nasser has continued to insist that Egypt retain effective full control over the canal. With respect to an interim settlement, Egypt has held that revenues must be paid directly to Egypt rather than to the IBRD as proposed by the US, the UK, France, and Norway and appears to be backing away from earlier intimations that it would allow some portion of the revenues to be set aside pending a final canal settlement. Although Egypt has finally permitted canal clearance to proceed--an act probably in part designed to stimulate shipper pressure on the Western powers to accept a settlement on Egyptian terms--it has continued to behave in a high-handed fashion toward UN clearance personnel. The USSR has continued to encourage Egyptian obstructionism.

12. Thus, the using powers are likely to be confronted once again with a choice between acquiescing in arrangements for operation of the canal which they previously rejected as offering insufficient safeguards or boycotting the canal. The UK, France and probably

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some other countries would be most reluctant to give official approval to a settlement on Egyptian terms and would probably seek to temporize in the hope of bringing about Nasser's downfall through continuing economic and political pressures. They would almost certainly refuse to settle if Egyptian-Israeli fighting were resumed. Barring such resumptions of fighting however, it would be difficult for the UK, France, and other like-minded powers to acceptance of Egyptian terms by their shippers, particularly hold the line against the fact if US support were not forthcoming.

[One result might be a breakdown of all formal efforts to force international Egypt to restate its obligations regarding the canal.]

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